

PUBLIC DISCLOSURE

February 7, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Banco Bilbao Vizcaya Argentaria Puerto Rico
19919**

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Hato Rey, Puerto Rico 00918**

**Federal Deposit Insurance Corporation
20 Exchange Place
New York, New York 10005**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Banco Bilbao Vizcaya Argentaria Puerto Rico** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February 7, 2006**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the following factors.

Lending Test

- The bank's volume of lending reflects a good responsiveness to the needs of the assessment area.
- The bank has originated a high percentage of loans within the designated assessment area.
- The distribution of the bank's HMDA loans, small business loans and small farm loans demonstrates an adequate penetration throughout the low-, moderate-, middle-, and upper-income census tracts within the bank's assessment area. The bank has a good distribution of consumer loans in low-, moderate-, middle-, and upper-income census tracts.
- The distribution of the bank's HMDA loans reflects a poor distribution among retail customers of different income levels. The bank has a good penetration of loans to businesses of different sizes. The bank's consumer lending exhibits an adequate penetration of loans to retail customers of different income levels.
- The bank has made an adequate dollar amount of community development loans, having originated 8 loans totaling in excess of \$52 million.
- The bank has made limited use of innovative or flexible loan products during this evaluation period.

Investment Test

- The bank has assembled an adequate level of qualified community development investments and a significant level of qualified community development grants/donations for this evaluation period.

Service Test

- The bank's retail delivery systems are accessible to essentially all portions of the assessment area including low- and moderate-income geographies.

- The bank opened one new branch since the previous evaluation which was located in a middle-income census tract. The bank also closed nine branches since the previous examination of which one was in a low-income census tract and one was in a moderate-income census tract.
- The bank offers alternative delivery systems to essentially all portions of the assessment area.
- Business hours are reasonable and meet those offered by most competitors.
- The bank provides a relatively high level of community development services throughout the assessment area and the island of Puerto Rico.

LENDING, INVESTMENT, AND SERVICE TEST TABLE:

The following table indicates the performance level of the institution with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Banco Bilbao Vizcaya Argentaria Puerto Rico		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

PERFORMANCE CONTEXT

DESCRIPTION OF INSTITUTION:

Banco Bilbao Vizcaya Argentaria Puerto Rico (BBVAPR) is a full service banking institution, headquartered in Hato Rey, Puerto Rico. The bank is a wholly owned subsidiary of BBVAPR Holding Corporation, a bank holding company organized pursuant to the laws of Puerto Rico. BBVAPR Holding Corporation is wholly owned by Banco Bilbao Vizcaya Argentaria, S.A. (BBVAPRSA), a bank organized under the laws of the country of Spain. BBVAPRSA is the major legal entity of the BBVAPR Group, a global financial corporation operating in banking, real estate, insurance, and other financial companies.

BBVAPR operates 41 branches throughout Puerto Rico of which there is one branch located in a low-income census tract, five branches located in moderate-income census tracts, 15 branches are located in middle-income census tracts, and 20 branches are located in upper-income census tracts. The bank's main office is located in an upper-income census tract. Since the previous CRA evaluation on October 29, 2002, BBVAPR opened one new branch and closed nine branches. The one new branch is located in a middle-income census tract. Of the nine branches that were closed, one was located in a low-income census tract, one was located in a moderate-income census tract, two were located in a middle-income census tract and five were located in upper-income census tracts.

BBVAPR's major loan product by loan volume is consumer loans, specifically indirect automobile loans, but it also originates a great deal of residential mortgage loans and commercial loans. The bank's loan distribution has remained relatively constant since the previous evaluation. Currently, consumer loans represent 36.0 percent of the loan portfolio while commercial loans represent 26.2 percent of the loan portfolio and residential mortgage loans represent 21.7 percent.

As of December 31, 2005, the bank's total assets were over \$7.0 billion. This reflects a 43.3 percent increase since the previous evaluation period. Loans and leases totaled \$3.7 billion and represented 52.2 percent of total assets and 120.8 percent of total deposits. U.S. Government obligations and mortgage backed securities comprised the bulk of the investment portfolio, which in total represented \$2.3 billion or 33.2 percent of total assets. The remaining \$1 billion, or 14.6 percent, of total assets were concentrated in cash, federal funds, premises/fixed assets, other real estate owned, and other assets. Deposit accounts totaled \$3.0 billion and represented approximately 43.3 percent of all liabilities and capital. Federal funds purchased, other borrowed money, other liabilities, and total equity capital comprised the remainder.

The following table (Table A) represents the distribution of the bank's loan portfolio:

Table A - Loan Distribution as of 12/31/2005		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	\$438,676	11.9%
Secured by Farmland	\$0	0.0%
1-4 Family Residential	\$798,432	21.7%
Multi-Family (5 or more) Residential	\$0	0.0%
Commercial	\$307,269	8.4%
Total Real Estate Loans	\$1,544,377	42.0%
Commercial and Industrial	\$656,265	17.8%
Agricultural	\$28,461	0.8%
Consumer	\$1,325,214	36.0%
Other	\$132,873	3.6%
Lease Financing	\$0	0.0%
Less: Unearned Income	\$6,988	0.2%
Total Loans	\$3,680,202	100.0%

Source: Call Report RC-C.

The bank has a Tier 1 leverage capital ratio of 5.55 percent and a Return on Assets (ROA) of 0.61 percent as of December 31, 2005. Tier 1 leverage capital measures the level of the institution's core capital as a percent of total assets. ROA measures the institution's net income as a percent of assets. Net income for year-end 2005 was \$36.4 million.

There are no impediments, legal, or otherwise, which would impact the bank's ability to help meet the credit needs of the assessment area.

BBVAPR was rated "Satisfactory" at the previous CRA evaluation performed by the FDIC as of October 29, 2002.

DESCRIPTION OF BBVAPR'S ASSESSMENT AREA(s):

BBVAPR has six assessment areas consisting of 651 census tracts in 48 municipalities encompassing seven MSA's throughout the majority of the island of Puerto Rico, based on the most recent 2000 Census. There are three Consolidated Statistical Areas (CSA) in Puerto Rico. The bank's assessment area includes a large portion of each of these three CSA's. Also included in the bank's assessment area are the two MSA's in Puerto Rico that are not part of a CSA and the one area that is not part of a CSA and also not part of an MSA.

These assessment areas are as follows:

Assessment Area #1 – Consolidated Statistical Area (CSA 364)

This area contains all municipalities within MSA 32420 (Mayaguez) and a portion of the municipalities within MSA 41900 (San German – Cabo Rojo). According to the 2000 census data, the assessment area consists of 1 (2.7 percent) low-income census tract, 7 (18.9 percent) moderate-income census tracts, 20 (54.1 percent) middle-income census tracts, and 9 (24.3 percent) upper-income census tracts.

Assessment Area #2 – Consolidated Statistical Area (CSA 434)

This area contains all municipalities within MSA 38660 (Ponce) and most of the municipalities within MSA 49500 (Yauco). According to the 2000 census data, the assessment area consists of 2 (2.4 percent) low-income census tracts, 21 (25.6 percent) moderate-income census tracts, 33 (40.2 percent) middle-income census tracts, and 25 (30.5 percent) upper-income census tracts. This area also includes one (1.2 percent) census tract for which no demographic data is available, usually the result of limited or no population.

Assessment Area #3 – Consolidated Statistical Area (CSA 490)

This area contains most of the municipalities within MSA 41980 (San Juan). According to the 2000 census data, the assessment area consists of 14 (3.1 percent) low-income census tracts, 107 (23.3 percent) moderate-income census tracts, 180 (39.2 percent) middle-income census tracts, and 158 (34.4 percent) upper-income census tracts.

Assessment Area #4 – Metropolitan Statistical Area 10380 - Non CSA Area

This area contains seven municipalities within MSA 10380 (Aguadilla – Isabela – San Sebastian) which is not part of a CSA. According to the 2000 census data, the assessment area consists of 5 (8.9 percent) moderate-income census tracts, 44 (78.6 percent) middle-income census tracts, and 7 (12.5 percent) upper-income census tracts. This area does not have any low-income census tracts.

Assessment Area #5 – Metropolitan Statistical Area 25020 - Non CSA Area

This area contains one municipality within MSA 25020 (Guayama) which is not part of a CSA. According to the 2000 census data, the assessment area consists of 7 (87.5 percent) middle-income census tracts, and 1 (12.5 percent) upper-income census tracts. This area does not have any low-income or moderate-income census tracts.

Assessment Area #6 – Non CSA Area/Non MSA Area

This area contains one municipality that is not within an MSA. According to the 2000 census data, the assessment area consists of 7 (77.8 percent) middle-income census tracts, and 2 (22.2 percent) upper-income census tracts. This area does not have any low-income or moderate-income census tracts.

Economic Overview

The following information was obtained from the FDIC's Division of Insurance and Research:

General

Puerto Rico's economy continues to expand, but the rate of growth has slowed as the economic expansion continues to mature. Employment growth has weakened and is mainly sustained by the public sector, which continues to account for a significant portion of the island's employment. The number of government workers has ballooned by approximately 40,000 over the last four years, while private sector employment declined by more than 50,000. The labor market remains beset by structural rigidities that hamper job creation, while unemployment remains high. Consumer inflation remains at double-digit rates. The island's budget continues to spiral out of control while government continues to subsidize public corporations and expands the reach of the public sector. Currently, the government accounts for half of Puerto Rico's GDP. The commonwealth's pension system is near collapse and Puerto Rico debt service obligations are facing a possible downgrade in ratings. Banks in Puerto Rico continue to show growth as total assets have increased by approximately 20 percent. Deposits have also grown by approximately 10 percent. With improved income growth, the consumer economy remains strong. Retail sales are expanding, primarily fueled by a 10 percent increase in new car sales. The positive impact on tourism is moderating after enjoying a strong rebound following the national economic recovery. The weaker U.S. dollar has boosted the number of overseas visitors, especially from Europe.

The largest employers, by industry, are the government (29.6 percent); manufacturing (11.3 percent); professional and business services (9.9 percent); education and health services (9.4 percent); leisure and hospitality services (6.9 percent); construction (6.5 percent); financial activities (4.5 percent); information services (2.2 percent); other services (2.0 percent); and transportation/utilities (1.7 percent). Top employers included Popular Inc. (11,334), Puerto Rico Telephone (5,800 employees), University of Puerto Rico (5,558 employees), Sara Lee Corporation (5,424 employees), Caribbean Restaurants (4,875 employees), Baxter International, Inc. (4,000 employees), Johnson and Johnson (4,000 employees), Wal-Mart Stores, Inc. (3,778

employees), Caribe GE Products, Inc. (3,600 employees) and Inter American University of P.R. (3,486 employees).

Housing Stock

The housing stock within the bank's assessment area totals 1.1 million units, of which 721,708 (64.2 percent) are owner-occupied, 283,839 (25.3 percent) are occupied rental units, and the remaining 118,554 (10.5 percent) are vacant. The majority of the units, 977,742 (87.0 percent) are 1-4 family dwellings, with 142,024 (12.6 percent) multi-family dwellings, 4,138 (0.4 percent) mobile homes, and 197 (negligible percentage) other units. Other units include houseboats, railroad cars, campers, and vans. The median age of housing stock and median housing value of the entire assessment area is 23 years and \$81,458, respectively. However, the median value in low- and moderate-income areas is \$53,037 and \$59,658, respectively.

Table B - Selected Housing Characteristics by Income Category of the Geography									
Geographic Income Category	Percentage						Median		
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	Age*	Home Value*	Gross Rent**
Low	2.6	2.2	2.1	0.7	5.9	1.5	37	\$53,037	\$112
Moderate	21.5	19.4	19.6	18.1	22.7	20.9	25	\$59,658	\$236
Middle	44.6	46.5	46.9	48.0	42.9	49.6	22	\$71,645	\$294
Upper	31.2	31.9	31.4	33.2	28.4	27.9	25	\$110,708	\$413
\$0/NA Income	0.1	0.0	0.0	0.0	0.0	0.0	0.0	\$0	\$0
Total or Median ***	100	100	100	100	100	100	23	\$81,458	\$306

Source: U.S. Census, * - Owner-Occupied Units, ** - Renter-Occupied Units, *** Total percentage may not add to 100 due to rounding.

Housing Affordability

An analysis of the affordability of housing within the assessment area was performed. The affordability ratio indicates the amount of single family owner-occupied housing that a dollar of income can purchase for the median household within a geography. The ratio is calculated by dividing the median household income by the median housing value of the area or geography under consideration. Values closer to 1.0 indicate greater affordability. The median household income of the bank's assessment area is \$16,956 and the median housing value is \$81,458, resulting in an affordability ratio of 0.21.

The high cost of housing in relation to the low household incomes has made it difficult for banks and community development organizations to participate in projects aimed at satisfying the credit needs of low- and moderate-income borrowers, as defined in the CRA regulation. For

example, the highest 2005 HUD-adjusted median family income on the island is \$20,900 (MSA 41980). For any community development loan to be considered “qualified” for CRA purposes, the majority of the housing units would have to be for borrowers with annual incomes below \$16,720. In Puerto Rico, the cost of housing is very high, making it nearly impossible for banks to originate qualified community development loans or purchase lending-related qualified investments. However, since the island is considered a “high-cost area,” Interagency guidance allows examiners flexibility in considering which projects have a primary purpose of community development.

Due to the extremely high cost of housing in Puerto Rico and the relatively low income levels, it would appear as though there would be a credit shortage for upper-income people as well. In the San Juan MSA, an upper-income individual earns over \$25,080, which still only results in an affordability ratio of .31. The following information demonstrates the high-cost of housing as well as justifies the inclusion of government-sponsored community development loans and investments (using government-determined income limits) in this performance evaluation.

The Puerto Rico Housing Bank & Finance Agency (Banco de la Vivienda)

The Puerto Rico Housing Bank & Finance Agency (PRHB), through its various loan programs, is the primary government entity responsible for facilitating the growth of affordable housing projects on the island. Created in 1961 as a governmental instrumentality of the Commonwealth of Puerto Rico, its purpose is to assist the government of Puerto Rico in its housing programs and to develop more effectively its governmental responsibility for promoting the economy and the welfare of the residents. The housing bank administers the following housing programs:

1. Act 124 Loans.
2. Spot Loans.
3. Mortgage Insurance (Puerto Rico Law 87).
4. HOME Program Administration.

1. Act 124 Loans

The Act 124 Loan Program was introduced through Legislative Act 124 in December 1993. It was designed to stimulate the construction and sale of owner-occupied housing units to low- and moderate-income families through private sector participation. Act 124 loans are funded in part by a budget allocation from the Commonwealth of Puerto Rico and by proceeds from the sale of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC) Certificates backed by pools of Act 124 loans.

Under Act 124, builders submit project plans to the housing bank to receive its endorsement. Eligible projects contain newly constructed single family structures or condominium units that have sales prices below established maximums. As the programs are built in stages, the Legislature periodically adjusts the maximum sales prices. In mid-2004, the maximum selling price was increased to \$90,000 with some urban areas set at \$100,000. Maximum selling prices are determined by the Legislature after considering the location of the property, the maximum

mortgage amount insurable by FHA, and guides and parameters generally accepted in the construction industry.

Once the project endorsement is received, the housing bank issues a commitment when a stage of the program is active and the developers submit all the required documents. The endorsement/commitment allows for an expedited approval/licensing process at the various government agencies involved in the building process. The housing bank does not provide construction or permanent financing. Therefore, it is necessary for the builder to obtain financing from other government agencies or financial institutions.

Developers benefit in several ways. Approvals are expedited, sales risk is reduced due to strong demand and subsidies, and a portion of the developers' profit from each unit is tax-exempt. This exemption ranges from \$4,000 per unit in Group III municipalities to \$5,000 per unit in Group I.

In addition to the criteria discussed above, the developer agrees that the units will only be sold to qualified low- and moderate-income families (LMI). The housing bank defines LMI families as those whose income does not exceed \$45,000 per year. This maximum income was established to be consistent with the limits under Federal or local social interest programs applicable in Puerto Rico, such as the Department of Housing & Urban Development's (HUD) HOME program, Rural Development's housing programs, or the Spot Loan Program (discussed later).

Act 124 provides two forms of subsidy, administered by the housing bank. Developers agree that at least 35 percent of the LMI buyers must meet the qualifications for Act 124 subsidies. Applicant income and family size determine the applicability of subsidies, if any. Down payment assistance in the amount of 2 percent of the acquisition cost, not to exceed \$1,280, is provided, as well as monthly installment payment subsidies. These monthly subsidies subsidize the difference between the prevailing market rate established for the particular stage and the rate paid by the borrower. Subsidized mortgage interest rates are available at 3.75 percent, 4.75 percent, and 5.75 percent, depending upon family size and income level. The prevailing rate for Stage VIII is 6.5 percent. The prevailing rate for Stage VII was 7 percent. Applicants not receiving interest rate subsidies pay the prevailing rate for the particular stage. Buyers must obtain mortgages from lenders participating in the Act 124 Loan Program.

2. Spot Loans

These loans are originated by the PRHB directly, for the purchase of new or existing homes, construction, or home improvements. The maximum loan is \$90,000; the maximum rate is fixed at 6 percent for a term of 30 years. The maximum annual income for applicants is \$45,000. There is a closing cost subsidy based on income levels, up to a 3 percent discount. For applicants with incomes of \$20,000 or less, borrowers receive a 3 percent discount. For incomes between \$20,001 and \$29,999, borrowers receive a 2 percent discount. For incomes between \$30,000 and \$45,000, borrowers receive a 1 percent discount.

3. Mortgage Insurance Program (Puerto Rico Law 87)

The PRHB issues mortgage insurance that provides 100 percent coverage of applicable loans. The insurance is used in conjunction with all Spot Loans, some Act 124 loans, and loans

originated by private lenders where the applicant's gross annual income does not exceed \$45,000, the loan interest rate is at least ½ percent below the prevailing market interest rate, and closing costs do not exceed 3 percent of the loan amount.

4. HOME Program

The HOME Investment Partnership Program (HOME Program), administered by the Department of Housing and Urban Development (HUD) allocates funds by formula among eligible State and local governments to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing with primary attention to rental housing for low-income families. Generally, HOME funds must be matched by nonfederal resources. State and local governments that become participating jurisdictions may use HOME funds to carry out multi-year housing strategies through acquisition, rehabilitation, and new construction of housing and tenant based rental assistance. Participating jurisdictions may provide assistance in a number of eligible forms, including loans, advances, equity investments, interest subsidies, and other forms of investment that HUD approves.

The following municipalities on the island of Puerto Rico receive HOME funds directly from HUD and are charged with the administration of the funds: Aguadilla, Arecibo, Bayamon, Caguas, Carolina, Guaynabo, Mayaguez, Ponce, San Juan, Toa Baja, Trujillo Alto, and Vega Baja. The remainder of the funds are allocated to the island of Puerto Rico and administered by the PRHB.

The Puerto Rico Housing Finance Corporation (Corporation)

On November 16, 1977, the Board of Directors of the Government Development Bank of Puerto Rico established the Puerto Rico Housing Finance Corporation. The Corporation was formed to oversee the construction, reconstruction, improvement, alteration, and repair of decent, safe, and sanitary dwellings for persons and families of low- and moderate-income in Puerto Rico. With the aid of Section 8 housing subsidies, construction began on several projects throughout the island. Through the years, these projects were completed and it became evident that additional funds were needed to improve the projects and build additional housing facilities for low- and moderate-income families. To address the additional funding needs, the Corporation received approval on December 21, 1987, to issue \$327 million in AAA-rated bonds, the proceeds of which were used to purchase GNMA Collateralized Mortgage Obligations. These GNMA securities were backed by the mortgages on the Section 8 multifamily housing constructed by the Corporation in the late 1970's and early 1980's.

There is little rental construction available at this time, with the shift in focus from rental housing to owner-occupied affordable housing and changes to the Section 8 program where annual renewals are only available. Since 2001, the Corporation has financed 8 housing projects under its tax credit program which include 851 housing units for a total of \$45.3 million. Under its loan financing program, it has financed 4 housing projects with 550 units, for a total of \$26.6 million. For its 124 program, it created bond issuance number 7 for 9 housing projects with 793 housing units and a total of \$52.2 million. It created bond issuance number 8 for 39 housing projects with 5,682 housing units, totaling \$278.7 million and bond issuance number 9 for 6 housing projects with 658 housing units totaling \$40.3 million. It also sold 1 housing project

with 60 housing units totaling \$3 million. The 124 program is designed to provide housing units for low- and moderate-income families on the Island.

Financial institutions can support the operations of the Puerto Rico Housing Finance Corporation by purchasing its various bond issues. The proceeds of bond issues are either used to finance the construction of Act 124 housing or used to finance individual mortgage loans to buyers of Act 124 housing.

Construction Costs

Home construction costs in Puerto Rico are high due primarily to the cost of land. Buildable land is in short supply in the urban, highly populated areas. Costs are less in the rural areas; however, the lack of adequate transportation and infrastructure greatly reduces the demand for housing in these areas. A review of current projects revealed construction costs are approximately \$30,000 for Habitat for Humanity (voluntary labor, donated materials, and land made available at a very low cost), \$31,000 for Act 124 programs in non-MSA portions of the island (borrower incomes are much lower), and approximately \$60,000 in a Neighborhood Housing Services project in Ponce.

Public Housing

There is a large segment of the population that does not earn sufficient income to afford home ownership or to make market-rate rent payments. Their housing needs are met by the Department of Housing of the Commonwealth of Puerto Rico. They operate 329 public housing projects in Puerto Rico containing 56,000 housing units for approximately 250,000 persons. The waiting list for public housing is approximately equal to the current number of residents. Based on a total island population of 3.8 million, about 7 percent of the population either lives in or is waiting to live in public housing.

Public housing is located throughout the island. Only one municipality does not have a public housing project. Most projects are located in MSA 7440 (San Juan - Bayamon), but large numbers can also be found in the more urban areas of Ponce and Mayaguez. In MSA 7440, there are 136 projects (41 percent) containing 30,260 units for 121,000 people.

Of the families living in public housing, 21 percent have \$0 or negative rents. Ninety-one percent have rents ranging from -\$32 to less than \$101 per month. The largest single rent range is \$.01 to \$20.99, where 46 percent of the rents fall.

Economic Development Bank (EDB)

Created in 1985, the Puerto Rico government sponsored bank was formed to help small start-up businesses gain access to funding. Since 1985, the EDB has lent over \$800 million to 7,300 businesses. The maximum loan amount is \$5 million. In 2002, the EDB loaned \$128 million to new businesses.

Conclusion:

Bank participation in the various programs of the Puerto Rico Housing Bank & Finance Agency and the Puerto Rico Housing Finance Corporation is needed for the programs to be successful. Banks can either purchase securities backed by Act 124 mortgages or originate construction mortgages to developments with a government endorsement. Clearly, using the HUD-adjusted median family income figures, the majority of the investments and loans would not be considered “qualified” for CRA purposes. However, the sales activity presented above shows that the government-established affordable housing income limit of \$45,000 is a more appropriate and reasonable estimate. Therefore, loans to developers of Act 124 housing, as well as investments backed by Act 124 loans, will be considered “qualified” for the purposes of community development lending and investments presented in this CRA Performance Evaluation.

Competition and Services

The assessment area is served by many large financial institutions and affiliated mortgage companies, including Banco Popular and Popular Mortgage; Doral Bank, HF Mortgage Bankers and Doral Mortgage; RG Premier Bank, RG Mortgage Corporation, and The Mortgage Store; Oriental Group; and Citibank, N.A. These ten institutions accounted for nearly 75 percent of the residential mortgage originations in Puerto Rico in 2004. The bank relies on media advertising, walk-in traffic throughout its vast network of bank branch and mortgage company offices, in addition to realtors and Internet banking, for marketing of its many residential mortgage loan products.

Community Contact

There was one community contact performed during this examination. In addition, a previously initiated contact was reviewed. The contact performed at this examination was with respect to concerns over education within the local communities. This contact emphasized the need for continued education among Puerto Rico residents, and especially the need to coordinate all the existing universities to improve their access to available educational research data. It is stressed that a better educated citizenry will serve to improve the overall economy of the island and prevent the apparent “brain drain” that has impacted Puerto Rico and other Caribbean countries. The previously initiated contact, which was reviewed during this examination, continued to stress the need for affordable housing within many of the communities in Puerto Rico.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

Scope of Evaluation

The evaluation of this institution's lending performance is based on a review of all home mortgage (HMDA) loans, small business loans, small farm loans, and consumer (motor vehicle) loans originated by the bank during 2004 and 2005. This evaluation was completed considering the 2000 census data. The bank's performance by dollar volume was similar to number volume, and therefore is not included herein.

Community development loans, investments, and services were reviewed for the period following the previous evaluation.

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and (7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Lending Activity and Assessment Area Concentration

This performance criterion considers the volume of BBVAPR's lending and the number and amount of the bank's HMDA loans, small business loans, small farm loans, and consumer motor vehicle loans originated within the bank's assessment area during the calendar years mentioned in the aforementioned Scope of Evaluation.

Conclusion:

Overall, the bank's level of lending reflects a good responsiveness to assessment area credit needs. Originations within the bank's designated assessment area for HMDA loans, small business loans, small farm loans, and consumer loans represent a high percentage of the bank's total lending, by both number of loans and dollar volume.

Table C - Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA										
2004	1,594	86.1	257	13.9	1,851	262,005	87.8	36,239	12.8	298,244
2005	2,123	87.4	307	12.6	2,430	381,871	89.4	45,199	10.6	427,070
Subtotal	3,717	86.8	564	13.2	4,281	643,876	88.8	81,438	11.2	725,314
Small Business										
2004	1,603	94.9	86	5.1	1,689	142,215	93.9	9,207	6.1	151,422
2005	1,818	94.7	101	5.3	1,919	193,081	93.5	13,509	6.5	206,590
Subtotal	3,421	94.8	187	5.2	3,608	335,296	93.6	22,716	6.4	358,012
Small Farm										
2004	38	92.7	3	7.3	41	2,182	93.2	158	6.8	2,340
2005	35	94.6	2	5.4	37	2,152	96.0	89	4.0	2,241
Subtotal	73	93.6	5	6.4	78	4,334	94.6	247	5.4	4,581
Consumer										
2004	13,317	77.1	3,966	22.9	17,283	237,732	77.1	70,744	22.9	308,476
2005	16,850	75.7	5,400	24.3	22,250	335,919	76.2	105,204	23.8	441,123
Subtotal	30,167	76.3	9,366	23.7	39,533	573,651	76.5	175,948	23.5	749,599
Total	37,378	78.7	10,122	21.3	47,500	1,557,157	84.7	280,349	15.3	1,837,506

Source: HMDA and CRA Disclosure Statements (2004- 2005), and CRA data collection (2004-2005)

HMDA Lending

The bank's in assessment area HMDA lending, both by number and dollar volume, remained steady over the two-year period of this evaluation, while the bank's total asset size increased more than 34 percent during the same period. The bank's HMDA loan originations rose proportionately to the bank's asset growth. In the two years of the evaluation, the bank's in-area HMDA loan originations remained constant at over 85 percent of the total HMDA lending, by number, and slightly higher by dollar volume. The bank's HMDA loan penetration inside the assessment area, by number and dollar volume, constituted a significant majority throughout the two years of this review.

The following table (Table D) further delineates the various types of HMDA loans originated by the bank for the two years of the evaluation. As noted in the table, there was a sizable increase in home purchase activity from 2004 to 2005, compensated for by a similar percentage loss in

refinance activity. The bank's home improvement loan activity also declined from 2004 to 2005 and continues to be a marginal loan origination product for the bank.

Table D – Distribution of HMDA Loans Inside the Assessment Area – BBVA						
Loan Category or Type	2004		2005		Total	
	Number of Loans		Number of Loans		Number of Loans	
	#	%	#	%	#	%
Home Purchase	954	59.8	1,546	72.8	2,500	67.2
Refinance	599	37.6	556	26.2	1,155	31.1
Home Improvement	41	2.6	21	1.0	62	1.7
Multi-Family	0	0.0	0	0.0	0	0.0
Total	1,594	100	2,123	100	3,717	100

Source: HMDA Disclosure Statements (2004 - 2005)

Small Business Lending

The bank's origination of small business loans, by number and dollar volume, increased from 2004 to 2005. The increase in the dollar volume of small business loan originations for the period of the evaluation out-paced the percentage of the bank's overall asset growth for the period. From year end 2004 to year end 2005 the bank's assets grew approximately 27 percent while the bank's dollar volume of small business loans in the assessment area grew more than 35 percent. During this period of loan growth the bank maintained a substantial majority of its small business loans, by number and dollar volume, in the assessment area.

Small Farm Lending

The bank's small farm loans originations was steady, by number and dollar volume, during the two years of this evaluation. The volume of BBVAPR's small farm lending in 2004 places the bank as the third highest originator of small farm loans in the assessment area, and throughout the island of Puerto Rico. As can be seen in Table C, small farm lending inside of the assessment area was very good for both years of the evaluation. The bank originated well over 90 percent of all small farm loans in the assessment area.

Consumer Loans

BBVAPR collected consumer loan data for the two years of this evaluation. The consumer loan data collected was exclusively motor vehicle loans. The bank's overall consumer lending increased more than 25 percent, by number, and 40 percent, by dollar volume, from 2004 to 2005. During this period of dramatic consumer loan production increases, the bank maintained an in-area lending percentage in excess of 75 percent.

Geographic Distribution of Loans

This segment of the performance evaluation assesses the bank's performance in addressing the credit needs in low-, moderate-, middle-, and upper-income census tracts in the bank's assessment area. The bank's assessment area contains 651 census tracts, of which, 17 (2.6 percent) are low-income, 140 (21.5 percent) are moderate-income, 290 (44.6 percent) are middle-income, and 203 (31.2 percent) are upper-income. There was 1 census tract (0.1 percent) that did not have income figures available; indicating that particular tract was not populated.

Conclusion:

BBVAPR demonstrates adequate penetration of loans throughout the four income level census tracts for HMDA loans, small business loans, and small farm loans, and a good penetration of consumer loans throughout all income level census tracts.

HMDA Lending

A review of the bank's performance and that of the aggregate, based on an analysis of supporting data obtained from standard industry software, was performed to consider the bank's geographic distribution of HMDA lending for 2004 and 2005. The bank's HMDA lending is compared to the total owner-occupied housing units within each census tract category and aggregate lending data for year 2004. (Aggregate lending data represents the performance of all other mortgage lenders who reported making a HMDA loan in the bank's assessment area during 2004). Aggregate data for calendar year 2005 was not available at the time of this evaluation. Please refer to Table E for details.

The aggregate lending data in 2004 reveals that 0.6 percent of the HMDA loans reported by all HMDA reporters in the assessment area were made in low-income census tracts and 12.8 percent of the HMDA loans reported by all HMDA reporters were made in moderate-income census tracts. The bank's percentage of loans in low-income census tracts (0.3 percent) and loans in moderate-income census tracts (11.1 percent) fell below the aggregate, but is determined to be marginally adequate considering the bank's competition for loans in these areas and the bank's 2004 lending throughout all census tract income levels. Loans in middle-income census tracts (41.6 percent) exceeded the aggregate (40.8 percent) and loans in upper-income census tracts (47.0 percent) closely mirrored the aggregate (45.7 percent), indicating the bank was not focusing its lending to upper-income census tracts.

No aggregate data is available for 2005, but the bank's performance in lending to borrowers in low-income census tracts remained constant at 0.3 percent, while lending in moderate-income census tracts increased slightly to 12.0 percent from 11.1 percent. Lending in middle-income census tracts also remained constant at 41.8 percent. The only census tract category to show a decline from 2004 to 2005 was the upper-income group. Although HMDA lending for 2005 in low- and moderate-income census tracts did not show a noteworthy increase from 2004, positive consideration did result from the bank's increase in total HMDA loan volume from 2004 to 2005. As previously mentioned, the bank increased the overall HMDA lending more than 30

percent and based on the constant distribution percentage in the low- and moderate-income census tract loan categories, the result was an overall sizable increase in the number and dollar volume of loans to borrowers in these two census tract income categories.

Table E – Distribution of HMDA Loans by Income Category of the Census Tract									
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)		2004		2005		Total	
		2004	2005	#	%	#	%	#	%
Low	0.7	0.6	N/A	5	0.3	7	0.3	12	0.3
Moderate	18.1	12.8	N/A	177	11.1	254	12.0	431	11.6
Middle	48.0	40.8	N/A	663	41.6	887	41.8	1,550	41.7
Upper	33.2	45.7	N/A	749	47.0	975	45.9	1,724	46.4
\$0/NA Income	0.0	0.0	N/A	0	0.0	0	0.0	0	0.0
Total*	100	100	100	1,594	100	2,123	100	3,717	100

Source: U.S. Census, HMDA Disclosure Statements (2004), HMDA LAR (2005), and HMDA Aggregate Data

* Total percentage may not add to 100 due to rounding.

Small Business Lending

As noted in Table F, the aggregate lending data in 2004 reveals that 1.0 percent of the small business loans reported by all small business loan reporters in the assessment area were made in low-income census tracts and 16.1 percent of the small business loans reported by all small business loan reporters were made in moderate-income census tracts. The bank's percentage of small business loans in low-income census tracts (0.5 percent) fell short of the aggregate, as did small business loans in moderate-income census tracts (14.4 percent). Aggregate data for calendar year 2005 was not available at the time of this evaluation, but the bank's small business loan penetration in 2005 remained nearly identical for all the census tract categories as it had been in 2004.

Similar to the bank's lending in the aforementioned HMDA loan category, the bank's performance in originating small business loans in low- and moderate-income census tracts is marginally acceptable only when tempered with the knowledge that the penetration percentages in these categories did not deteriorate even as the bank increased its overall small business loan production more than 13 percent by number and 36 percent by dollar volume.

Table F – Distribution of Small Business Loans by Income Category of the Census Tract								
Census Tract Income Level	Aggregate Lending Data (% of #)		2004		2005		Total	
	2004	2005	#	%	#	%	#	%
Low	1.0	N/A	8	0.5	9	0.5	17	0.5
Moderate	16.1	N/A	230	14.4	259	14.2	489	14.3
Middle	39.1	N/A	688	42.9	809	44.5	1,497	43.8
Upper	43.8	N/A	677	42.2	741	40.8	1,418	41.4
\$0/NA Income	0.0	N/A	0	0.0	0	0.0	0	0.0
Total*	100	100	1,603	100	1,818	100	3,421	100

Source: CRA data collection (2004 and 2005), and CRA Aggregate Data

** Total percentage may not add to 100 due to rounding.*

Small Farm Lending

Despite the low number of farm loans, BBVAPR was the third ranked lender in the assessment area for this category during 2004. Nonetheless, the negligible amount of small farm loans originated by the bank renders comparisons to the aggregate lending percentages meaningless. Small loan volume creates the potential for dramatic shifts in the census tract penetration percentages caused by only a few loans. For example, the bank's lending performance in low-income census tracts fell short of the aggregate lending performance in 2004; however, with only one small farm loan origination in a low-income census tract, the bank's penetration percentage in this census tract category would have exceeded the aggregate more than six times. It should be noted that in 2004 the aggregate data demonstrates the preponderance of small farm loans to be in middle-income census tracts, while BBVAPR originated the largest amount of small farm loans in moderate-income census tracts.

Table G – Distribution of Small Farm Loans by Income Category of the Census Tract								
Census Tract Income Level	Aggregate Lending Data (% of #)		2004		2005		Total	
	2004	2005	#	%	#	%	#	%
Low	0.4	N/A	0	0.0	0	0.0	0	0.0
Moderate	25.8	N/A	18	47.4	10	28.6	28	38.4
Middle	63.9	N/A	15	39.5	24	68.6	39	53.4
Upper	9.9	N/A	5	13.1	1	2.9	6	8.2
\$0/NA Income	0.0	N/A	0	0.0	0	0.0	0	0.0
Total*	100	N/A	38	100	35	100	73	100

Source: CRA data collection (2004 and 2005), and CRA Aggregate Data

** Total percentage may not add to 100 due to rounding.*

Consumer Loans

BBVAPR collects and maintains loan origination data for consumer loans. A bank that collects this data maintains the information, but it is not submitted for central reporting purposes. The bank may request that the data be considered in its CRA evaluation. BBVAPR has collected this information for 2004 and 2005, and has presented the data for review as part of its CRA evaluation. There is no aggregate data available for this category of loans since collection of the data is optional. However, one benchmark to measure the opportunities for the bank to originate consumer loans in a particular census tract is the percentage of households in each income level census tract. The percentage of households is presented, along with the bank's consumer loan data for 2004 and 2005 in Table H below.

Consumer lending comprises BBVAPR's largest lending product, by number of loans. The number of consumer loan originations is approximately five times that of all the other loan categories considered in this evaluation combined, on a yearly basis. As mentioned previously, the collected consumer loan data was exclusively motor vehicle loans.

The bank's low-income census tracts contain only 2.2 percent of the total households in the bank's assessment area. Considering this limited opportunity, the bank originated 1.2 percent of its total consumer loans in these low-income census tracts during the two-year period of which the data was collected. The bank's performance in this census tract category was consistent over the two-year period with a 1.2 percent penetration rate in 2004 followed by another 1.2 percent penetration rate in 2005.

BBVAPR's performance in originating consumer loans in moderate-income census tracts (18.3 percent) for the two year period was only slightly less than the percentage of total households in

that census tract category (19.4 percent). The bank's performance in 2005 grew slightly to 18.4 percent from 18.1 percent, and represents a strong effort by the bank to reach this census tract category.

The bank's consumer loan penetration into the middle-income census tracts for the two years of data submitted reveal 50.2 percent of all consumer loans were made to borrowers in middle-income census tracts. This performance exceeds the percentage of middle-income households in this census tract category.

Table H – Distribution of Consumer Loans by Income Category of the Census Tract									
Census Tract Income Level	% of Total Households	Aggregate Lending Data (% of #)		2004		2005		Total	
		2004	2005	#	%	#	%	#	%
Low	2.2	N/A	N/A	157	1.2	204	1.2	361	1.2
Moderate	19.4	N/A	N/A	2,411	18.1	3,096	18.4	5,507	18.3
Middle	46.5	N/A	N/A	6,632	49.8	8,522	50.6	15,154	50.2
Upper	31.9	N/A	N/A	4,117	30.9	5,028	29.8	9,145	30.3
\$0/NA Income	0.0	N/A	N/A	0	0.0	0	0.0	0	0.0
Total*	100	N/A	N/A	13,317	100	16,850	100	30,167	100

Source: U.S. Census, CRA Data Collection (2004 and 2005)

* - Total percentage may not add to 100 due to rounding.

Borrower Characteristics

This category evaluates the bank's record of lending to low-, moderate-, middle-, and upper-income borrowers. This performance criterion considers the distribution, particularly in the bank's assessment area, of the bank's HMDA loans, small business loans, small farm loans, and consumer motor vehicle loans based on borrower characteristics, including the number of home mortgage and consumer motor vehicle loans to low-, moderate-, middle-, and upper-income individuals; small business loans and small farm loans to businesses with gross annual revenues of \$1 million or less; and small business loans and small farm loans by loan amount at origination.

Conclusion:

BBVAPR's HMDA lending among retail borrowers of different income levels is poor; however, the bank's lending to business customers of different sizes is good, and the bank's consumer lending to borrowers of different income levels is adequate.

HMDA Lending

This category discusses the bank's HMDA lending for 2004 and 2005 and compares it to the percentage of total families within each income category and the aggregate lending data. Aggregate data for calendar year 2005 was not available at the time of this evaluation. Borrower incomes are compared to Department of Housing and Urban Development (HUD) adjusted median family income figures for the year in which the loans were granted. These figures can be obtained at HUD's web site – www.huduser.org. Table I below, contains the 2004 and 2005 HUD Adjusted Incomes for those MSAs that comprise the bank's assessment area.

Table I– HUD Adjusted Income by MSA			
MSA	Name	2004	2005
10380	Aguadilla	\$14,800	\$15,000
25020	Guayama	\$15,900	\$16,300
32420	Mayaguez	\$18,200	\$18,350
38660	Ponce	\$17,200	\$17,400
41900	San German	\$17,200	\$17,400
41980	San Juan	\$20,600	\$20,900
49500	Yauco	\$14,800	\$15,100
Non-MSA	Non-MSA	\$14,100	\$14,250

Source: US Department of Housing and Urban Development

In 2004, BBVAPR originated 0.3 percent of all HMDA loan originations to low-income borrowers and 2.1 percent of all HMDA loan originations to moderate-income borrowers. This penetration percentage falls well behind the aggregate lending performance for the same borrower income level groups. The bank's lending to middle-income borrowers in 2004 was 7.0 percent, which is also well short of the aggregate lending performance.

The bank's loan penetration to low-income borrowers further declined in 2005. Lending to moderate-income borrowers increased slightly to 2.6 percent, while lending to middle-income borrowers increased slightly to 9.5 percent from 7.0 percent. There is no aggregate data available for 2005 to gauge precisely how substandard this performance is relative to other lenders in the assessment area.

The opportunities for BBVAPR to originate HMDA loans to low- and moderate-income borrowers is reflected in the percent of total families within each borrower income level in the assessment area. This group constitutes the available pool of potential borrowers. However,

when evaluating the bank's HMDA loan performance in lending to low- and moderate-income borrowers, consideration must be given to the affordability ratio described earlier in this evaluation. The calculated affordability ratio of 0.21 demonstrates very poor housing affordability. The low affordability ratio is primarily caused by the high housing costs in the bank's assessment area relative to the median incomes in the area. These factors make HMDA loans to low- and moderate-income borrowers difficult to originate.

It is recognized that the cost of housing in Puerto Rico often makes it difficult for low-, moderate-, and middle-income individuals to qualify for mortgages. However, the bank's performance versus the aggregate, particularly in lending to moderate- and middle-income borrowers indicates that the bank needs to improve the overall level of lending to borrowers in these income categories.

Table J – Distribution of HMDA Loans by Borrower Income									
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)		2004		2005		Total	
		2004	2005	#	%	#	%	#	%
Low	24.9	1.1	N/A	5	0.3	3	0.1	8	0.2
Moderate	14.8	5.6	N/A	33	2.1	56	2.6	89	2.4
Middle	15.6	13.5	N/A	112	7.0	201	9.5	313	8.4
Upper	44.6	77.0	N/A	1,435	90.0	1,855	87.4	3,290	88.5
\$0/NA Income	0.0	2.8	N/A	9	0.5	8	0.4	17	0.5
Total*	100	100	100	1,594	100	2,123	100	3,717	100

Source: U.S. Census, HMDA Disclosure Statements (2004), HMDA LAR (2005), and HMDA Aggregate Data * - Total percentage may not add to 100 due to rounding.

Small Business Lending

A small business loan is a loan with an original amount of \$1 million or less categorized by the bank as either secured by non-farm nonresidential property or as a commercial and industrial loan. Refer to Tables K & L for small business loan details.

The bank's distribution of small business loans in 2004 reflects a good penetration among small businesses. The aggregate lending data for small business loans in the amount of \$250,000 or less was 90.7 percent. The bank's small business lending in the same category was 91.2 percent. Small- and medium-sized businesses typically require smaller loan amounts than do large businesses, consequently, smaller loans, particularly loans less than \$250,000, is reflective of the bank's willingness to meet the credit needs of these size businesses. BBVAPR slightly exceeded the aggregate for small business loans in amounts of \$100,000 or less, which can reasonably be

presumed to be extended to the smallest of the small businesses. The bank's performance in loan amounts between \$100,000 and \$250,000 is just short of the aggregate lending performance for the same size loans.

Table L below exhibits the bank's distribution of small business loans to businesses with gross annual revenues less than or equal to \$1 million and to businesses with gross annual revenues greater than \$1 million. In 2004, BBVAPR extended 83.7 percent of its small business loans to businesses with gross annual revenues of \$1 million or less, which demonstrates that the bank is serving the needs of the smallest businesses in the assessment area. The aggregate data for this same revenue group was well below the bank's performance reaching only 65.7 percent.

In 2005, BBVAPR's performance in originating small business loans for less than \$250,000 decreased marginally to 88.6 percent from 91.2 percent; however, there is no aggregate lending data available for 2005 for comparative purposes. The bank's small business loans to businesses with gross annual revenues of less than or equal to \$1 million also fell to 72.8 percent of the total during this period, but once again there is no aggregate data available to confidently gauge the significance of this slight decline. Nonetheless, the bank's performance represents an effort to reach the smaller businesses in the assessment area for a great majority of its small business loan originations.

BBVAPR's market share of small business lending was 5.5 percent in 2004, the most recent year market share information is available. The bank ranks fourth in small business loan production in the assessment area. Nearly 65 percent of all small business loans within the assessment area were originated by one lender, the largest bank on the island, and no other lender managed to garner greater than 7.5 percent of the market. The average loan size for all small business loans in the assessment area is \$94,000. BBVAPR posted an average loan size for small business loans in 2004 of \$89,000, eighth highest of all lenders with at least 100 loans. There were only thirteen small business lenders doing business in the assessment area with at least 100 small business loan originations, indicating the bank has a good record of originating loans for smaller dollar amounts.

Table K – Distribution of Small Business Loans by Loan Size										
Loan Size (000s)	Similarly Situated Bank (%)		Aggregate Lending Data (% of #)		2004		2005		Total	
	2004	2005	2004	2005	#	%	#	%	#	%
≤ \$100	N/A	N/A	78.3	N/A	1,287	80.3	1,355	74.5	2,642	77.2
> \$100 ≤ \$250	N/A	N/A	12.4	N/A	175	10.9	257	14.1	432	12.6
> \$250 ≤ \$1,000	N/A	N/A	9.3	N/A	141	8.8	206	11.3	347	10.1
Total*	N/A	N/A	100	N/A	1,603	100	1,818	100	3,421	100

Source: CRA data collection (2004, and 2005), and CRA Aggregate Data, * - Total percentage may not add to 100 due to rounding. NA – There were no similarly situated banks.

Table L – Distribution of Small Business Loans by Gross Annual Revenues of Business								
Gross Annual Revenues (000s)	Aggregate Lending Data (% of #)		2004		2005		Total	
	2004	2005	#	%	#	%	#	%
≤ \$1,000	65.7	N/A	1,341	83.7	1,323	72.8	2,664	77.9
> \$1,000 or NA	34.3	N/A	262	16.3	495	27.2	757	22.1
Total*	100	N/A	1,603	100	1,818	100	3,421	100

Source: CRA data collection (2004, and 2005), and CRA Aggregate Data, * - Total percentage may not add to 100 due to rounding.

Small Farm Lending

As displayed in Tables M and N below, and has been previously discussed in this evaluation, BBVAPR made a nominal amount of small farm loans during the evaluation period. This low volume was nonetheless sufficient enough to rank the bank the third largest small farm lender in the assessment area and on the island of Puerto Rico, in 2004.

The bank's distribution of small farm loans in 2004, particularly those loans less than \$250,000, reflects a good penetration among small farms. The aggregate lending data for small farm loans in this size category was 92.3 percent. The bank's small farm lending in the same category was 97.4 percent. The assumption is made that small- and medium-sized farms would generally require smaller loan amounts than would large farms. Consequently, smaller loans, particularly loans less than \$250,000, is reflective of the bank's willingness to meet the credit needs of these size farms. Additionally, nearly 90 percent of the small farm loans were made for amounts \$100,000 or less, far greater than the aggregate performance of 77.1 percent.

Table N below exhibits the bank's distribution of small farm loans to small farm businesses with gross annual revenues less than or equal to \$1 million and to businesses with gross annual revenues greater than \$1 million. BBVAPR extended well over 80 percent of its small farm loans to small farm businesses with gross annual revenues less than or equal to \$1 million, which demonstrates that the bank is serving the needs of the smallest farms in the assessment area. The aggregate lending performance to small farm businesses with gross annual revenues less than or equal to \$1 million was only 73.0 percent, far behind the performance of BBVAPR.

Table M – Distribution of Small Farm Loans by Loan Size										
Loan Size (000s)	Similarly Situated Bank (%)		Aggregate Lending Data (% of #)		2004		2005		Total	
	2004	2005	2004	2005	#	%	#	%	#	%
≤ \$100	N/A	N/A	77.1	N/A	34	89.5	30	85.7	64	87.7
> \$100 ≤ \$250	N/A	N/A	15.2	N/A	3	7.9	4	11.4	7	9.6
> \$250 ≤ \$500	N/A	N/A	7.7	N/A	1	2.6	1	2.9	2	2.7
Total	N/A	N/A	100	N/A	38	100	35	100	73	100

Source: CRA data collection (2004, and 2005), and CRA Aggregate Data, NA – There were no similarly situated banks.

Table N – Distribution of Small Farm Loans by Gross Annual Revenues of Business								
Gross Annual Revenues (000s)	Aggregate Lending Data (% of #)		2004		2005		Total	
	2004	2005	#	%	#	%	#	%
≤ \$1,000	73.0	N/A	34	89.5	31	88.6	65	89.0
> \$1,000 or NA	27.0	N/A	4	10.5	4	11.4	8	11.0
Total*	100	100	38	100	35	100	73	100

Source: CRA data collection (2004 and 2005), and CRA Aggregate Data.

Consumer Loans

As previously discussed, the collection of data for consumer loans is optional. A bank that collects this data maintains the information, but it is not submitted for central reporting purposes. The bank may request that the data be considered in its CRA evaluation. BBVAPR has collected consumer loan information for 2004 and 2005 and has presented the data for review as part of its CRA evaluation. There is no aggregate data available for this category of loans since collection of the data is optional. However, one benchmark to measure the opportunities for the bank to originate consumer loans to a particular borrower income level is the percentage of households in each borrower income level. The percentage of households is presented, along with the bank's consumer loan data for 2004 and 2005 in Table O below.

As previously mentioned, the consumer loan data that is collected by BBVAPR is exclusively motor vehicle loans. By number, this type of loan comprises the bank's largest lending product. The number of consumer loan originations is more than five times that of all the other loan categories considered in this evaluation combined, on a yearly basis. The bank's average

consumer loan amount in 2004 was \$17,848 and in 2005 the average consumer loan amount was \$19,825.

The bank's consumer loan penetration to low-income borrowers of 0.6 percent in 2004 and 2005 falls well short of the percentage number of total low-income households in the bank's assessment area. Low-income borrowers in the bank's assessment area have a reported income of no more than \$7,050 to \$10,450, depending on the particular MSA of the individual. These very low income levels make the purchase/finance of a motor vehicle, where the average loan amount is more than double the annual income, very difficult to originate.

The total of consumer loans made to moderate-income borrowers is much better. A total of 14.4 percent of the households in BBVAPR's assessment area are moderate-income. The bank made 14.4 percent of its consumer loans to moderate-income borrowers in 2004 and 15.4 percent of its consumer loans to moderate-income borrowers in 2005. Lending to moderate-income borrowers is considered good for both years in which consumer loan data was collected, in view of the fact that the percentage of loan originations met or exceeded the comparative percentage of households within the assessment area that are classified as moderate-income.

BBVAPR also did very well in originating loans to middle-income borrowers for the two years. In 2004, the bank originated 27.1 percent of its consumer loans to middle-income borrowers. This percentage nearly doubles the percentage of middle-income households in the bank's assessment area (14.6 percent). Furthermore, the bank increased its loan penetration to this group to 28.3 percent in 2005.

Table O – Distribution of Consumer Loans by Borrower Income									
Borrower Income Level	% of Total Households	Aggregate Lending Data (% of #)		2004		2005		Total	
		2004	2005	#	%	#	%	#	%
Low	26.0	N/A	N/A	83	0.6	107	0.6	190	0.6
Moderate	14.4	N/A	N/A	1,912	14.4	2,592	15.4	4,504	14.9
Middle	14.6	N/A	N/A	3,616	27.1	4,765	28.3	8,381	27.8
Upper	45.0	N/A	N/A	7,693	57.8	9,386	55.7	17,079	56.6
\$0/NA Income	0.0	N/A	N/A	13	0.1	0	0.0	13	0.0
Total*	100	N/A	N/A	13,317	100	16,850	100	30,167	100

Source: U.S. Census, CRA Data Collection (2004 and 2005) * - Total percentage may not add to 100 due to rounding.

Community Development Lending

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Conclusion:

BBVAPR has made an adequate level of community development loans during the evaluation period. During this period the bank originated 8 loans in the amount of \$52.5 million.

A brief detail on each of these loans is as follows:

A loan in the amount of \$2.1 million for the construction of 32 detached units of affordable housing. Houses to be constructed in the municipality of Adjuntas. Homes are designated for lower income borrowers with the maximum selling price of \$100,000.

A loan in the amount of \$4.2 million for the construction of 78 detached affordable housing units. The project is being developed in Carolina under HUD's "Home Program." The agreement between the developer and the Municipality of Carolina provides a \$15,000 buyer subsidy for buyers meeting HUD's low-income guidelines. Houses sell for \$80,000 to qualified buyers.

A \$6.7 million loan to finance infrastructure improvements and additional construction at a not-for-profit educational facility in Ponce. This not-for-profit institution primarily serves low- and moderate-income students, as evidenced by the fact that greater than 70 percent of the student population receives some type of government economic assistance.

A \$5.0 million loan participation in a \$50 million loan to finance a portion of the Santurce rehabilitation project. This project is being managed and coordinated by the Puerto Rico Housing Department. The project consists of refurbishing old buildings and constructing new facilities, which are located in the bank's assessment area. The project's estimated socioeconomic impact includes providing housing for 5,000 new families and 9,000 new jobs in the Santurce area.

A loan in the amount of \$15.6 million to rehabilitate 224 residential units in two high rise buildings in Santurce. The building was purchased from the government of Puerto Rico for rehabilitation under the Urban Revitalization Act qualifying the developer for tax credits. Units will be sold for a maximum of \$100,000 each to qualified buyers.

A \$12.2 million loan for the purchase and rehabilitation of a commercial building in Rio Piedras. This is part of a larger city-wide rehabilitation project encompassing many similar projects significantly stabilizing the area and providing many employment opportunities to low- and moderate-income individuals.

A renewal of a \$5.0 million loan participation in a \$50 million loan to finance part of the Santurce rehabilitation project, which is in the bank's assessment area. This project is being managed and coordinated by the Puerto Rico Housing Department. The project consists of refurbishing old buildings and constructing new facilities. The project's stated estimated socioeconomic impact includes providing housing for 5,000 new families and 9,000 new jobs in the Santurce area.

A \$1.7 million loan to refinance existing agricultural loans, to purchase dairy cows, and to purchase farm land located in a moderate-income census tract in Hatillo, which is in the bank's assessment area.

Innovative or Flexible Lending Practices

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

Conclusion:

The bank makes limited use of innovative and flexible lending programs to serve the needs of low- and moderate-income individuals throughout the assessment area. Below are some examples of innovative and flexible loan programs that the bank does participate in; however, there are additional programs that are available within the island of Puerto Rico for which BBVA is not an active participant.

Key to your Home

This is a local subsidized housing program targeted toward low- and moderate-income families. This program is called "The Key to Your Home," which enables families to purchase or rehabilitate their homes through payment subsidies or assistance with down payments and closing costs. The bank agrees to more flexible underwriting standards to participate in this program. During the evaluation period, the bank originated 85 loans under this program, totaling approximately \$5.0 million.

Traditional Programs

In addition to the above program, the bank offers a small range of government sponsored lending programs. The primary residential mortgage loan program is the Federal Housing Administration (FHA) and Veterans Administration's (VA) guaranteed mortgages that allow consumers to borrow up to 100 percent of the property's appraised value. In these instances, the qualifying debt ratios can be as high as 41 percent. During the evaluation period, the bank originated 57 FHA loans totaling \$6.7 million, with only one of these loans originated to a low-income borrower. Under the VA program, the bank originated 9 loans totaling \$1.0 million.

In the largest of its government programs, the bank is a certified “Preferred Lender” for the U.S. Small Business Administration (SBA), and as such is able to provide expedited loan approval for the local business community. The bank originated approximately 524 SBA loans during the evaluation period and currently services many other SBA clients.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

Conclusion:

BBVAPR's level of qualified investments exhibits an adequate level of community development investment and grants. Since the previous evaluation, the bank has purchased three qualified investments for a total of \$19.7 million. In addition, BBVAPR has contributed approximately \$437,350 in qualified grants and donations to various community organizations which serve the housing, educational, and development needs of the area. The total value of all investments, grants, and donations is \$20.1 million, which represents 0.29 percent of assets, 0.88 percent of total investments, and 4.15 percent of equity capital.

In July 2004, the bank purchased a General Obligation Bond issued by the Municipality of Carolina in the amount of \$15.5 million. The proceeds of the bond will be used for repairing roads, construction of a public daycare center, and construction of public recreation areas. Although the total dollar amount of the bond was not qualified as a community development investment, an amount of \$540,000 is specifically targeted for construction of public recreation parks in the Martin Gonzalez Ward in Carolina, which contains nine census tracts, including the two moderate income census tracts in the municipality. An additional \$1.5 million is designated for improvements to the municipal building which is located in one of the two moderate-income census tracts in Carolina.

In May 2004, the bank purchased a General Obligation Bond issued by the Municipality of Ponce in the amount of \$16.3 million to finance infrastructure construction. The proceeds of the bond will be used for repairing roads, constructing a music institute, rehabilitating old sewage pipes, and construction of public recreation areas. Greater than 40 percent of the households in the Municipality of Ponce are low- and moderate-income and over one-third of the census tracts are either low- or moderate income. The financing created by this bond will have a positive stabilizing effect on the low- and moderate-income tracts located within Ponce.

As of December 2005, the bank had \$1.4 million outstanding in bonds issued by the Puerto Rico Housing Finance Authority. The proceeds provide funds for the financing of housing for low- and moderate-income individuals in Puerto Rico.

A prior investment of \$20,120,000 was outstanding from the previous evaluation period for a short portion of the current evaluation period.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- and moderate-income geographies or that primarily serve low- and moderate-income individuals; 3) the availability and effectiveness of alternative systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies. In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

Conclusion:

The bank's retail delivery systems are accessible to essentially all portions of the bank's assessment area, including low- and moderate-income census tracts. Business hours are consistent with that of other competitors in the marketplace and do not vary in a way that inconveniences portions of the assessment area. The bank has provided a relatively high level of community development services.

BBVAPR operates 41 full service branches throughout the island of Puerto Rico. In addition, the bank operates five mortgage centers, three personal banking offices, and five business banking offices. The distribution of BBVAPR branches is detailed in Table P below.

Table P - Distribution of Bank Offices by Income Category of the Census Tract				
Census Tract Income Category	Census Tracts in Assessment Area		Bank Offices by Tract Location	
	#	%	#	%
Low	17	2.6%	1	2.4%
Moderate	140	21.5%	5	12.2%
Middle	290	44.6%	15	36.6%
Upper	203	31.2%	20	48.8%
\$0/NA Income	1	0.1%	0	0.0%
Total	651	100%	41	100%

Source: U.S. Census and Bank Public File, * Total percentage may not add to 100 due to rounding.

The bank opened one new branch during the evaluation period which was located in a middle-income census tract. During the period, the bank also closed nine branches, which included one branch in a low-income census tract and one branch in a moderate-income census tract. These closings were part of the bank's efforts to merge branch offices that were obtained from other financial institutions. These offices were located in close proximity to existing branch locations. The closing of the nine branch offices did not adversely affect the accessibility of delivery systems in low- or moderate-income areas or to low- and moderate-income individuals.

Bank Hours and Retail Services

The bank's hours and services are considered reasonable. Branch lobby hours at most locations begin at 8:15 a.m. and extend to at least 4:00 p.m. Seventeen branches have a later closing on Friday of 5:00 p.m. or 6:00 p.m., including three branches in moderate-income census tracts. Most of the branches have Saturday lobby hours, including four branches in moderate-income census tracts. Lobby hours are consistent with the competition in the assessment area. Drive-up facilities exist at 27 branches, including the one branch in a low-income census tract and two branches in moderate-income census tracts. Additionally, the bank offers abbreviated banking hours on many of the local (non-Federal) holidays.

Alternative Delivery Systems

BBVAPR maintains 55 Automated Teller Machines (ATMs) throughout its branch network, including 13 off-site ATM's in hotels and shopping malls. The bank operates at least one ATM at each branch office including the branches located in low- and moderate-income census tracts.

The bank's customers do not incur fees when using non-proprietary ATMs, nor are non-customers assessed a fee when using BBVAPR's facilities. There is no application fee to obtain an ATM card and there is no annual fee for the use of the ATM card for BBVAPR customers.

BBVAPR offers a telephone banking service which features a live individual and is available Monday through Friday 8:00 a.m. to 8:00 p.m., Saturday and holidays 9:00 a.m. to 1:00 p.m. This service allows customers who have access to a telephone to perform various functions by calling a toll-free number to access account balances, transfer funds, obtain loan and deposit account information, order statements, and make payments to a cash reserve account.

The bank's website www.bbvapr.com, provides customers a variety of banking services including accessing account information, checking balances, transferring funds, searching branch office locations and hours, obtaining current interest rates for deposit and loan products, and paying bills. There is no charge for these services, except for the bill paying option.

The bank offers low cost deposit accounts for seniors, in addition to special low-cost accounts for students.

Community Development Services

During this evaluation period, the bank has provided a relatively high level of community development services. The following sample highlights some of the bank's wide variety of community development services.

The bank's CRA officer participated as a member in the Consortium for Community Economic Development, an organization specifically designed to assist economic development in low- and moderate- income areas of Puerto Rico.

The bank's CRA officer is a Board member and on the Bids Selection Committee for the South Puerto Rican Homeless Coalition.

BBVAPR operates a financial literacy program employing the FDIC Money Smart modules in coordination with the Puerto Rican government's Office of Special Communities.

The bank also utilizes the FDIC Money Smart program in alliance with the Puerto Rico Department of Education, offering financial literacy workshops to junior and senior high school students.

The bank's CRA Officer regularly participates in meetings of the Community Housing Developers Organization Association which provides affordable housing throughout Puerto Rico.

Senior bank officers regularly attend community and non-profit fairs throughout Puerto Rico assisting low- and moderate-income borrowers obtain credit and acquire financial assistance through many special home purchase programs.

BBVAPR sponsors the Economic Development Strategic Planning Workshops as part of the University of Puerto Rico – Mayaguez campus. The program supports economically disadvantaged community leaders in pursuing formal education in the economic development field.

The bank's senior vice president provides international commerce training in coordination with the Small Business Development Center.

The bank's CRA officer is a member of the Economic and Financial Education Alliance of Puerto Rico.

Bank officers volunteer their time and utilize their banking expertise as members of several community organizations such as New Horizons – a non-profit organization working with low- and moderate-income families, the Puerto Rico Vocational Administration Council, and the Puerto Rico Economic Development Council.

RESPONSE TO COMPLAINTS

A review of FDIC records, as well as the bank's Public CRA File, revealed no complaints relating to BBVAPR's CRA performance.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

The bank's record of complying with anti-discrimination laws (Fair Housing, Equal Credit Opportunity, and Home Mortgage Disclosure) is satisfactory. No violations of the substantive provisions of these regulations were identified.

METROPOLITAN AREAS

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CSA 364

In CSA 364, which contains MSA's 32420 and 41900, there are 37 census tracts, consisting of 1 (2.7 percent) low-income census tract, 7 (18.9 percent) moderate-income census tracts, 20 (54.1 percent) middle-income census tracts, and 9 (24.3 percent) upper-income census tracts.

Conclusions with respect to performance tests in CSA 364:

LENDING TEST

The bank's performance under the Lending Test is consistent with its overall performance. Refer to page 15 of this performance evaluation.

Approximately 11 percent and 8 percent of the bank's HMDA loans in 2004 and 2005 respectively were originated or purchased within this assessment area.

In this same assessment area, the bank originated 8 percent and 7 percent respectively of its 2004 and 2005 Small Business Loans.

Consumer lending represented 7 percent and 6 percent respectively in 2004 and 2005.

INVESTMENT TEST

The bank's performance under the Investment Test is consistent with its overall performance. Refer to page 31 of this performance evaluation.

SERVICE TEST

The bank's performance under the Service Test is consistent with its overall performance. Refer to page 32 of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CSA 434

In CSA 434, which includes MSA's 38660 and 49500, there are 82 census tracts consisting of 2 (2.4 percent) low-income census tracts, 21 (25.6 percent) moderate-income census tracts, 33 (40.2 percent) middle-income census tracts, and 25 (30.5 percent) upper-income census tracts. This area also includes one (1.2 percent) census tract for which no demographic data is available, usually the result of limited or no population.

Conclusions with respect to performance tests in CSA 434:

LENDING TEST

The bank's performance under the Lending Test is consistent with its overall performance. Refer to page 15 of this performance evaluation.

Approximately 8 percent of the bank's HMDA loans both in 2004 and 2005 were originated or purchased within this assessment area.

In this same assessment area, the bank originated 14 percent and 13 percent respectively of its 2004 and 2005 Small Business Loans.

Consumer lending represented 17 percent and 15 percent respectively in 2004 and 2005.

INVESTMENT TEST

The bank's performance under the Investment Test is consistent with its overall performance. Refer to page 31 of this performance evaluation.

SERVICE TEST

The bank's performance under the Service Test is consistent with its overall performance. Refer to page 32 of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CSA 490

In CSA 490, which includes MSA's 21940 and 41980, there are 459 census tracts consisting of 14 (3.1 percent) low-income census tracts, 107 (23.3 percent) moderate-income census tracts, 180 (39.2 percent) middle-income census tracts, and 158 (34.4 percent) upper-income census tracts.

Conclusions with respect to performance tests in CSA 490:

LENDING TEST

The bank's performance under the Lending Test is consistent with its overall performance. Refer to page 15 of this performance evaluation.

Approximately 69 percent and 72 percent of the bank's HMDA loans in 2004 and 2005 respectively were originated or purchased within this assessment area.

In this same area, BBVA originated 67 percent of both its 2004 and 2005 Small Business Loans.

Consumer lending represented 65 percent and 68 percent respectively in 2004 and 2005.

INVESTMENT TEST

The bank's performance under the Investment Test is consistent with its overall performance. Refer to page 31 of this performance evaluation.

SERVICE TEST

The bank's performance under the Service Test is consistent with its overall performance. Refer to page 32 of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MSA 10380

In MSA 10380 there are 56 census tracts of which of 5 (8.9 percent) are moderate-income census tracts, 44 (78.6 percent) are middle-income census tracts, and 7 (12.5 percent) are upper-income census tracts. This area does not have any low-income census tracts.

Conclusions with respect to performance tests in MSA 10380:

LENDING TEST

The bank's performance under the Lending Test is consistent with its overall performance. Refer to page 15 of this performance evaluation.

Approximately 8 percent of the bank's HMDA loans in both 2004 and 2005 respectively were originated or purchased within this assessment area.

In this same assessment area, the bank originated 9 percent and 11 percent respectively of its 2004 and 2005 Small Business Loans.

Consumer lending represented 8 percent in both 2004 and 2005.

INVESTMENT TEST

The bank's performance under the Investment Test is consistent with its overall performance. Refer to page 31 of this performance evaluation.

SERVICE TEST

The bank's performance under the Service Test is consistent with its overall performance. Refer to page 32 of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MSA 25020

In MSA 25020 there are 8 census tracts of which 7 (87.5 percent) are middle-income census tracts, and 1 (12.5 percent) is an upper-income census tracts. This area does not have any low-income or moderate-income census tracts.

Conclusions with respect to performance tests in MSA 25020:

LENDING TEST

The bank's performance under the Lending Test is consistent with its overall performance. Refer to page 15 of this performance evaluation.

Approximately 1 percent of the bank's HMDA loans in both 2004 and 2005 were originated or purchased within this assessment area.

In this same assessment area, the bank originated 1 percent of both its 2004 and 2005 Small Business Loans.

Consumer lending represented 1 percent in both 2004 and 2005.

INVESTMENT TEST

The bank's performance under the Investment Test is consistent with its overall performance. Refer to page 31 of this performance evaluation.

SERVICE TEST

The bank's performance under the Service Test is consistent with its overall performance. Refer to page 32 of this performance evaluation.

NON-METROPOLITAN STATEWIDE AREAS*

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON MSA AREAS

In the bank's non-MSA areas there are 9 census tracts of which 7 (77.8 percent) are middle-income census tracts and 2 (22.2 percent) are upper-income census tracts. This area does not have any low-income or moderate-income census tracts.

Conclusions with respect to performance tests in non-MSA areas:

LENDING TEST

The bank's performance under the Lending Test is consistent with its overall performance. Refer to page 15 of this performance evaluation.

Approximately 2 percent of the bank's HMDA loans both in 2004 and 2005 were originated or purchased within this assessment area.

In this same assessment area, the bank originated 1 percent of both its 2004 and 2005 Small Business Loans.

Consumer lending also represented 1 percent in both 2004 and 2005.

INVESTMENT TEST

The bank's performance under the Investment Test is consistent with its overall performance. Refer to page 31 of this performance evaluation.

SERVICE TEST

The bank's performance under the Service Test is consistent with its overall performance. Refer to page 32 of this performance evaluation.

*The discussion of an institution's CRA performance within a Non-Metropolitan statewide area is only required for institutions with branches in two or more states. A separate discussion of CRA performance within a Non-Metropolitan statewide area for intrastate banks that have branches in metropolitan and Non-Metropolitan areas is optional because the performance in the Non-Metropolitan areas has been reviewed and discussed in the overall evaluation of the institution. Examiners may wish to discuss in greater detail; however, the assessment areas within Non-Metropolitan areas that were reviewed using the examination procedures for intrastate banks with branches in metropolitan and Non-Metropolitan areas, or for intrastate banks with branches only in Non-Metropolitan areas.

APPENDIX A

SCOPE OF EXAMINATION:

BBVAPR
SCOPE OF EXAMINATION: BBVAPR was examined in accordance with “Large Bank” CRA performance procedures.
TIME PERIOD REVIEWED: Loan analysis: January 2004 through December 2005. Community development loans, investments, and services: October 29, 2002 through February 7, 2006.
PRODUCTS REVIEWED: 1-4 Family Residential Mortgage Loans, Refinance, Home Improvement Loans, Small Business Loans, Small Farm Loans, and Consumer Motor Vehicle Loans.

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
CSA 364	Full Scope	None	None
CSA 434	Full Scope	None	None
CSA 490	Full Scope	None	None
MSA 10380	Full Scope	None	None
MSA 25020	Full Scope	None	None
Non-MSA Areas	Full Scope	None	None

APPENDIX B - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Statistical Area (MSA/MD): The Metropolitan Statistical Areas have at least one urbanized area of 50,000 or more population. There are 11 instances (Boston, Chicago, Dallas, Detroit, Los Angeles, Miami, New York, Philadelphia, San Francisco, Seattle, and Washington) where a Metropolitan Statistical Area containing a single core with a population of 2.5 million or more has been subdivided to form smaller groupings of counties referred to as **Metropolitan Divisions** (One or more large population centers and adjacent communities that have a high degree of economic and social integration.) Each MD must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MD comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MDs are composed of cities and towns rather than whole counties.

Combined Statistical Area (CSA): The larger area of which MSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages,

boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX C - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.